



REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS  
AUDIT EXAMINATION OF THE  
GREENUP COUNTY CLERK

Calendar Year 1999

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Edward B. Hatchett, Jr.  
Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable Robert Carpenter, Greenup County Judge/Executive

Honorable Donald L. Davidson, Greenup County Clerk

Members of the Greenup County Fiscal Court

The enclosed report prepared by Stephens & Lawson, P.S.C., Certified Public Accountants, presents the statement of receipts, disbursements, and excess fees of the County Clerk of Greenup County, Kentucky, as of December 31, 1999.

We engaged Stephens & Lawson, P.S.C., to perform the financial audit of this statement. We worked closely with the firm during our report review process; the resulting audit comports with our reporting format. As part of the audit, Stephens & Lawson, P.S.C., evaluated the Greenup County Clerk's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Enclosure



**EXECUTIVE SUMMARY**  
**GREENUP COUNTY**  
**DONALD L. DAVIDSON, COUNTY CLERK**  
**CALENDAR YEAR 1999**  
**FEE AUDIT**

The Greenup County Clerk's 1999 fee audit was contracted to Stephens & Lawson, PSC through a request for proposal (RFP). The audit revealed no reportable internal control or compliance issues. The County Clerk's office received operating revenue from various sources, including a state grant of \$11,617 for microfilming records. The County Clerk also received a loan of \$18,000 to fund the operations of his office when cash flows were low. The loan was subsequently repaid when funds became available. The County Clerk's office generated excess fees of \$2,101, which represents net income of the office after paying all operating expenses for the year. Excess fees are payable to the fiscal court. As of the completion of the audit, the County Clerk had yet to remit the excess fees to the fiscal court.



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS  
AUDIT EXAMINATION OF THE  
GREENUP COUNTY CLERK**

Calendar Year 1999





## **EXECUTIVE SUMMARY**

### **GREENUP COUNTY DONALD L. DAVIDSON, COUNTY CLERK CALENDAR YEAR 1999 FEE AUDIT**

The Greenup County Clerk's 1999 fee audit was contracted to Stephens & Lawson, PSC through a request for proposal (RFP). The audit revealed no reportable internal control or compliance issues. The Clerk's office received operating revenue from various sources, including a state grant of \$11,617 for microfilming records. The Clerk also received a loan of \$18,000 to fund the operations of his office when cash flows were low. The loan was subsequently repaid when funds became available. The Clerk's office generated excess fees of \$2,101, which represents net income of the office after paying all operating expenses for the year. Excess fees are payable to the County Fiscal Court. As of the completion of the audit, the Clerk had yet to remit the excess fees to the Fiscal Court.



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To the People of Kentucky

Honorable Paul E. Patton, Governor  
John P. McCarty, Secretary  
Finance and Administration Cabinet  
Mike Haydon, Secretary, Revenue Cabinet  
Honorable Robert Carpenter, County Judge/Executive  
Honorable Donald L. Davidson, Greenup County Clerk  
Members of the Greenup County Fiscal Court

#### Independent Auditors' Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Clerk of Greenup County, Kentucky, for the year ended December 31, 1999. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As describe in Note 1, the County Clerk is required to prepare the financial statement on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles. This cash basis system does not require the maintenance of a general fixed asset group or general long-term debt group of accounts. Accordingly, the accompanying financial statement is not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Clerk for the year ended December 31, 1999, in conformity with the basis of accounting described above.

In accordance with Government Auditing Standards, we have also issued a report dated August 30, 2000, on our consideration of the County Clerk's compliance with certain laws and regulations and internal control over financial reporting.

Respectfully Submitted,

Stephens & Lawson, P.S.C.

Stephens & Lawson, P.S.C.

Audit fieldwork completed -  
August 30, 2000



GREENUP COUNTY  
DONALD L. DAVIDSON, COUNTY CLERK  
~~STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES~~  
Calendar Year 1999

RECEIPTS

State Grants		\$	11,671
State Fees For Services			16,452
Fiscal Court			81,971
Licenses and Taxes:			
Motor Vehicle -			
Licenses and Transfers	\$	712,817	
Usage Tax		3,217,465	
Tangible Personal Property Tax		2,128,970	
Licenses -			
Marriage		24,909	
Deed Transfer Tax		63,192	
Delinquent Tax		<u>476,274</u>	6,623,627
Fees Collected For Services:			
Recordings -			
Deeds, Easements, and Contracts	\$	22,208	
Real Estate Mortgages		46,597	
Chattel Mortgages		95,889	
Powers of Attorney		1,755	
Deeds of Release		18,362	
All Other Recordings		13,740	
Charges for Other Services -			
Candidate Filing Fees		60	
Copywork		<u>5,340</u>	203,951
Other:			
Audit Adjustment	\$	1,660	
Insurance Premium Refund		3,045	
Miscellaneous		9,280	
Notary Fees		11,032	
Overpayments		4,413	
Postage		1,017	
Redeposited Checks		14,577	
Reimbursements		<u>10,445</u>	55,469
Borrowed Money:			
Loan			18,000
Interest Earned			<u>5,982</u>
TOTAL RECEIPTS (CARRIED FORWARD)		\$	7,017,123

The accompanying notes are an integral part of the financial statement

GREENUP COUNTY  
DONALD L. DAVIDSON, COUNTY CLERK  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES  
Calendar Year 1999  
(Continued)

TOTAL RECEIPTS (BROUGHT FORWARD) \$ 7,017,123

DISBURSEMENTS

Payments to State:

Motor Vehicle -

Licenses and Transfers	\$ 529,642	
Usage Tax	3,113,561	
Tangible Personal Property Tax	736,646	

Licenses -

Delinquent Tax	55,648	
Legal Process Tax	26,279	
Marriage License	<u>9,117</u>	\$ 4,470.893

Payments to Fiscal Court:

Tangible Personal Property Tax	\$ 129,614	
Delinquent Tax	36,072	
Deed Transfer Tax	<u>60,045</u>	225,731

Payments to Other Districts:

Tangible Personal Property Tax	\$ 1,169,238	
Delinquent Tax	<u>258,842</u>	1,428,080

Payments to Sheriff 13,334

Payments to County Attorney 75,168

Operating Disbursements and Capital Outlay:

Personnel Services -

Deputies Salaries	\$ 395,109	
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Employee Benefits

Employer's Share Social Security	33,821	
Employer's Paid Health Insurance	29,398	
Repayment of IRS Refund	5,378	

Contracted Services -

Accounting and Auditing Services	14,311	
Contract Labor	20,763	

Materials and Supplies -

Office Supplies	29,527	
Office Utilities	9,160	

Other Charges -

Audit Adjustment	(1,339)	
Advertising	201	
Conventions & Travel	13,742	
Elections	55,869	

The accompanying notes are an integral part of the financial statement



GREENUP COUNTY  
DONALD L. DAVIDSON, COUNTY CLERK  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES  
Calendar Year 1999  
(Continued)

~~DISBURSEMENTS~~ (Continued)

Operating Disbursements and Capital Outlay (Continued):

Other Charges -

Equipment Repair and Maintenance	\$	8,051
Insurance		3,920
Microfiliming		11,671
Miscellaneous		5,195
Postage		8,079
Prepare Tax Bills		5,038
Refunds		9,907
Rent		7,036
Unhonored Checks		15,276

Capital Outlay -

New Equipment		14,332	
Leased Equipment		<u>19,067</u>	\$ 713,512

Borrowed Money:

Loan Repayment		<u>18,000</u>	
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Total Disbursements			\$ <u>6,944,718</u>
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Net Receipts			\$ 72,405
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Less: Statutory Maximum			<u>66,704</u>
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Excess Fees			\$ 5,701
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Less: Expense Allowance			<u>3,600</u>
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Excess Fees Due County for Calendar Year 1999			\$ 2,101
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Payment to County Treasurer			<u>-</u>
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BALANCE DUE AT COMPLETION OF AUDIT			<u><u>\$ 2,101</u></u>
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**GREENUP COUNTY**  
**NOTES TO FINANCIAL STATEMENT**

December 31, 1999

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Fund Accounting**

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

**B. Basis of Accounting**

The financial statement has been prepared on a cash basis of accounting pursuant to Kentucky Revised Statute (KRS) 68.210 as recommended by the State Local Finance Officer. Revenue and related assets are generally recognized when received rather than when earned. Certain expenses are recognized when paid rather than when a liability is incurred, including capital asset purchases. Certain other expenses are recognized when a revenue and the related asset can be associated with a corresponding liability due another governmental entity.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

**C. Cash and Investments**

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

**NOTE 2 - EMPLOYEE RETIREMENT SYSTEM**

The county officials and employees have elected to participate in the County Employee Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 % of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.28%.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

GREENUP COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 1999  
(Continued)

NOTE 2 - EMPLOYEE RETIREMENT SYSTEM (Continued)

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

NOTE 3 - DEPOSITS

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 1999, the County Clerk's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the County Clerk's agent in the County Clerk's name, or provided surety bond(s) which named the County Clerk as beneficiary/obligee on the bond(s).

NOTE 4 - GRANT

The County Clerk maintains a grant account which originated from a local records microfilming grant from the Kentucky Department of Libraries and Archives. The beginning balance of this account on January 1, 1999 was \$1,563; additional grant monies of \$11,671 were received and disbursed during 1999 along with interest income of \$89. The unexpended account balance was \$1,652 as of December 31, 1999.

NOTE 5 - LEASE

The County Clerk is committed to an operating lease agreement with Software Management for computer equipment and software. The agreement is renewable on an annual basis and requires a monthly payment of \$1,896. The total rental expense for 1999 was \$15,792.

NOTE 6 – ESCROW ACCOUNT

The County Clerk has a certificate of deposit and a checking account, totaling \$48,453 as of December 31, 1999, which consists of an ongoing account originating from unclaimed funds from the purchases of land for public use. The owners and heirs could not be located. The last transaction in the accounts occurred in November 1979. KRS 393.020 states, "If any property having a situs in this state has been devised or bequeathed to any person and is not claimed by that person or his heirs . . . within seven years after the death . . . it shall vest with the state." Since the unclaimed funds have been in possession of the County Clerk for over seven years and the owners and heirs cannot be located, they should be surrendered to the Department of the Treasury.

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REPORT ON COMPLIANCE AND ON INTERNAL  
CONTROL OVER FINANCIAL REPORTING BASED ON AN  
AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Honorable Robert Carpenter, County Judge/Executive  
Honorable Donald L. Davidson, Greenup County Clerk  
Members of the Greenup County Fiscal Court

Report on Compliance and on Internal Control  
Over Financial Reporting Based on an Audit of the Financial  
Statement Performed in Accordance With Government Auditing Standards

We have audited the Greenup County Clerk as of December 31, 1999, and issued our report thereon dated August 30, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Greenup County Clerk's financial statement as of December 31, 1999, is free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our test disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Greenup County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party. However, this report, upon release, is a matter of public record and its distribution is not limited.

Respectfully Submitted,

Stephens & Lawson, P.S.C.

Stephens & Lawson, P.S.C.

Audit fieldwork completed -  
August 30, 2000